

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

KERR-MCGEE OIL & GAS ONSHORE LP

AI # 85144

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

* Settlement Tracking No.
* SA-AE-06-0019

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* Enforcement Tracking No.
* AE-PP-06-0015

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SETTLEMENT

The following Settlement is hereby agreed to between Kerr-McGee Oil & Gas Onshore LP, formerly known as Kerr-McGee Oil & Gas Onshore LLC, ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

Respondent is a corporation who owned and/or operated the South Sarepta Gathering Facility, an oil and gas production facility, located on Louisiana Highway 529, between Louisiana Highways 2 and 160, west of Sarepta, Bossier Parish, Louisiana. ("the Facility").

II

On February 17, 2006, the Department issued to Respondent, a Notice of Potential Penalty, Enforcement No. AE-PP-06-0015, which was based upon the following findings of fact:

On or about January 17, 2006, a file review of South Sarepta Gathering Facility, owned and/or operated by Kerr-McGee Oil & Gas Onshore LP (Respondent), was performed to determine the degree of compliance with the Louisiana Environmental Quality Act (the Act) and the Air

Quality Regulations. The facility is located on Louisiana Highway 529, between Louisiana Highways 2 and 160, west of Sarepta, Bossier Parish, Louisiana.

The following violations were noted during the course of the file review:

- A. In the facility's Title V semiannual monitoring report for the period encompassing July through December, 2002, the Respondent reported permit deviations. According to the information submitted by the Respondent, on or about March 31, 2003, the Respondent failed to submit a written report documenting the exceedances of emission limitations within the required timeframe. The deviation involved tank vapors being released into the atmosphere as a result of the Vapor Recovery Unit (VRU) compressor shutting down. The deviation began on March 4, 2002, and ended on December 31, 2002. According to Part 70 General Condition R of Permit No. 0400-00097-V0, a written report shall be submitted within seven (7) days of the initial occurrence of any emission in excess of permit requirements, regardless of the amount, where such emission occurs over a period of seven days or longer. Failure to submit a written report within the required timeframe is a violation of Part 70 General Condition R of Permit No. 0400-00097-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.
- B. In the facility's Title V semiannual monitoring report for the period encompassing July through December, 2002, the Respondent reported operation of a glycol pump flash that was not identified in the Title V application as an emission source from March 4, 2002, through July 15, 2002. The Respondent failed to obtain approval from the permitting authority prior to the modification of the facility. The construction, modification, or operation of a facility which may ultimately result in an initiation or increase in emission of air contaminants prior to approval from the permitting authority is a violation of LAC 33:III.501.C.2 and Section 2057(A)(2) of the Act.
- C. In the facility's 2003 Title V Annual Compliance Certification, the Respondent reported permit deviations. According to the information submitted by the Respondent, on or about April 21, 2004, the Respondent failed to submit a written report documenting the exceedances of emission limitations within the required timeframe. The deviation involved tank vapors being released into the atmosphere as a result of the VRU compressor shutting down. The deviations occurred from January 1, 2003, through January 17, 2003, and January 20, 2003, through January 29, 2003. According to Part 70 General Condition R of Permit No. 0400-00097-V0, a written report shall be submitted within seven (7) days of the initial occurrence of any emission in excess of permit requirements, regardless of the amount, where such emission occurs over a period of seven days or

longer. Failure to submit a written report within the required timeframe is a violation of Part 70 General Condition R of Permit No. 0400-00097-V0, LAC 33:III.501.C.4, and Section 2057(A)(2) of the Act.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of FOUR THOUSAND TWO HUNDRED THIRTY-TWO AND 41/100 DOLLARS (\$4,232.41) of which Two Hundred Nine and 68/100 Dollars (\$209.68) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), the Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Bossier Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Accountant Administrator, Financial Services Division, Department

of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

KERR-MCGEE OIL & GAS ONSHORE LP

BY: Keith J. Nosich
(Signature)

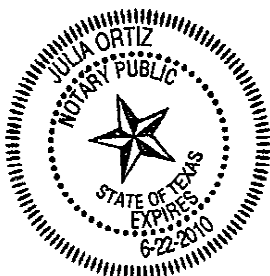
Scp
3/25/08

Keith J. Nosich
(Print)

Legal
LSK
3/27/08

TITLE: GM - Operations

THUS DONE AND SIGNED in duplicate original before me this 27 day of March, 20 08, at The Woodlands, Tx.



Julia Ortiz
NOTARY PUBLIC (ID #)

Julia Ortiz
(Print)

LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY

Harold Leggett, Ph.D., Secretary

BY: Peggy M. Hatch
Peggy M. Hatch, Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 17th day of July, 20 08, at Baton Rouge, Louisiana.

Ter R. Pryor, II
NOTARY PUBLIC (ID # 40539)
(Print)

Approved: Peggy M. Hatch
Peggy M. Hatch, Assistant Secretary